



FEDERAL ELECTION COMMISSION
WASHINGTON, D C 20463

July 17, 2002

MEMORANDUM

TO: Lawrence H. Norton
General Counsel

THROUGH: James A. Pehrkon
Staff Director

Robert J. Costa
Deputy Staff Director

FROM: Joseph F. Stoltz
Assistant Staff Director
Audit Division

Alex R. Boniewicz
Audit Manager

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AUDIT REFERRAL # 02-11

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FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

SUBJECT: The Buchanan Fund – Referral Matter

On July 16, 2002, the Commission approved the referral of the following matter that arose from our audit of Buchanan Reform, Inc. and which appears to be related to Buchanan's 1996 campaign.

First, during our review of BRI contribution refund checks; we noted that some were endorsed by the payee to "The Buchanan Fund." BRI representatives described this account as a non-federal account used to pay expenditures to promote the election. At the exit conference, the Audit staff requested that BRI provide all documentation relative to this account.

Our review of documentation submitted by BRI indicated the following. The account, entitled "Buchanan Fund," was opened on March 5, 2001 with a deposit of \$3,879, consisting entirely of BRI contribution refund checks that had been endorsed by the payee to the Buchanan Fund. During 2001, the account activity consisted of an opening cash balance of \$-0-; total receipts of \$53,859; total disbursements of \$48,551; and a closing cash balance of \$5,308.¹

¹ Statements for 1/1/02 thru 3/29/02 show deposits of \$1,609, disbursements of \$4,045 and a cash balance on 3/29/02 of \$2,872.

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Based on a cursory review of the copies of checks provided for all deposit batches, the Buchanan Fund's receipts consisted of \$8,219 of BRI contribution refund checks endorsed to the Buchanan Fund, \$120 interest earned and \$45,520 in checks from contributors personal accounts. The \$45,520 included one contribution in the amount of \$10,000, another in the amount of \$5,000, and one apparent corporate contribution in the amount of \$62.

Our review of the documentation submitted in support of the \$48,551 in disbursements made from this account during 2001, indicated that \$27,431 was disbursed to the United States Treasury on behalf of the Buchanan for President Committee, Inc. (1996) for payment of stale-dated checks from the 1996 campaign. In addition, \$13,720 was disbursed for 1996 legal fees and \$4,000 was paid to an individual to settle a lawsuit. Finally, \$3,000 was transferred on March 8, 2001, to another bank to open an account entitled "Convention 2000".

The Buchanan Fund activity was not reported by BRI and appears to relate to the 1996 campaign. A review of the 2001 reports filed by the 1996 campaign indicates the activity was not disclosed in those reports either.

This activity raises questions of reporting, as well as compliance with contribution limitations and prohibitions. Although discovered in the normal course of our audit work, the activity appears to relate solely to the 1996 campaign and is therefore outside the scope of the audit of BRI.

Also noted during our review of BRI contribution refunds were 144 refunds, totaling \$34,605, which had been endorsed by the payee to Buchanan's 1996 presidential primary committee. When these contributions were aggregated with other contributions previously made to that campaign by the contributor, the Audit staff determined that 49 such contribution refunds resulted in excessive contributions of \$14,483 to the 1996 campaign.

Issues similar to those addressed above arose relative to the 1996 campaign and were initially referred to the Office of General Counsel by memorandum dated October 22, 1996. The memorandum noted that the Buchanan Compliance Fund '92 appeared to have been set up to pay expenses relating to Buchanan's 1992 campaign. By memorandum dated November 20, 1997, the Office of General Counsel advised the Audit staff that the issues appear more appropriate for an enforcement matter and recommended referral. The memo referring this matter, dated November 21, 1997 notes on page 2, paragraph 4 that "...if the Fund is viewed a 1992 authorized committee, then an excessive contribution problem would exist when an individual's contribution(s) to the Fund is aggregated with the same individual's contribution(s) to the other authorized committees." That matter was eventually closed with no action taken.

All workpapers and related documentation are available for review in the Audit Division. Should you have any questions regarding this matter, please contact Terry O'Brien or Alex Boniewicz at 694-1200.

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